



STATE OF IOWA

TERRY E. BRANSTAD
GOVERNOR

SUSAN E. VOSS
COMMISSIONER OF INSURANCE

KIM REYNOLDS
LT. GOVERNOR

2012 JOHN ALDEN LIFE INSURANCE COMPANY AND TIME INSURANCE COMPANY RATE PROPOSAL REVIEW DECISION Issued November 8, 2012

Introduction

The Iowa Insurance Division received an individual rate filing for John Alden Life Insurance Company and Time Insurance Company collectively referred to as "Assurant", on September 10, 2012. Assurant has requested a 9% rate increase effective January 1, 2013, for their individual health insurance business. The proposed premium rate increase for the business will affect 5,817 policies.

Rate Filing and Review Procedure

Pursuant to a 2009 Executive Order, a rate filing shall receive an independent actuarial review to determine the adequacy and appropriateness of the proposed rate. The independent review is performed simultaneously with an in-house review done by the Division. The Division maintains a list of independent actuarial firms and selected INS Consultants, Inc. of Philadelphia, Pennsylvania. The reports of the Division actuary and INS Consultants, Inc. are available on the Division website.

In addition, Iowa Code section 505.19 requires the Commissioner to hold a public hearing on a proposed health insurance rate increase which exceeds the average annual health spending growth rate as published by the Centers for Medicare and Medicaid Services of the United State Department of Health and Human Services (CMS). The current rate published by CMS is 5.8 %. The Consumer Advocate for the Division solicited and received public comments on the proposed health insurance rate increase. Those comments are posted online by the Iowa Insurance Consumer Advocate.

A hearing on the proposed rate was held Saturday, October 27, 2012, at 11:00 a.m. at the Mercy College of Health Sciences Des Moines, Iowa. Additional access to the hearing was made available at five state-wide locations via the Iowa Communications Network (ICN). The Consumer Advocate presented public testimony on the comments she had received from consumers. The Deputy Commissioner took comments from policyholders and concerned citizens. No comments were received from citizens at the Des Moines location or from any of the five state-wide ICN sites. Lauris Grabeklis, a representative of Assurant, spoke on behalf of the carrier. Raymond Brouillette from Assurant answered questions that the Deputy Commissioner had of Assurant. A transcript of the hearing was posted online by the Iowa Insurance Consumer Advocate.

The Deputy Commissioner reviewed the actuarial reports from both the Division actuary and INS Consultants, Inc. In addition, the Deputy Commissioner reviewed the comments made at the public hearing on October 27, 2012, and comments received through phone calls, mail and the internet to the Consumer Advocate. (The comments received along with the report of the Consumer Advocate are available online.)

Reports of the Actuaries

The actuarial reviews were conducted only on the underlying base rate proposal by Assurant. The Division does not regulate rate changes due to age, geographical areas, smoker and non-smoker differentials, male and female differences and differences between individual contracts and family contracts. However, carriers cannot arbitrarily change the above rate factors. Once the initial policy form is approved, all the factors will remain the same throughout the life of the policy form.

It is the purpose of the internal and independent actuarial reviews to determine if the increase proposed by Assurant is justified and comports with the state and federal loss ratio standards. Under federal law, if the insurance carrier errs in the increase which is approved by the Division, the carrier will be required to pay rebates to policyholders using a retrospective formula under federal law. Iowa has an 80% federal loss ratio standard in effect for calendar year 2013. Should Assurant not reach that federal loss ratio, rebates will be required.

Both the Division actuary and INS Consultants, Inc. concluded that the rate increase proposals for Assurant are reasonable and justified under current state and federal guidelines.

Consumer Concerns and Issues

Sixteen comments were received by the Consumer Advocate concerning the proposed Assurant premium increase. The major concern for policyholders is the affordability of health insurance. Policyholders were also concerned with the increasing cost of healthcare and encouraged Assurant to work with providers to reduce medical costs.

Conclusion and Decision

The Deputy Commissioner has reviewed the comments of policyholders and consumers, and studied both actuarial reports. The balancing of the needs of Iowa consumers and the solvency of an insurance carrier must be weighed carefully.

There is no evidence that the proposed rate filings are discriminatory or excessive under Iowa statute. The Deputy Commissioner therefore approves the proposed individual rate increase filed by Assurant for implementation on January 1, 2013.

Dated November 8, 2012

James N. Armstrong
Deputy Insurance Commissioner
Iowa Insurance Division